

ISSUES & IDEAS

Essays For Our Times

Trash the recycling deal

by Nancy Dacek
and Marilyn Pralsner

The county executive's mixed paper recycling contract is like so much in life — the devil is in the details. We've seen the details and they are bad news for Montgomery County ratepayers and the future viability of the county's recycling effort.

A little bit of history is instructive. Montgomery County has a goal to recycle 50 percent of our waste by the year 2000 — a goal we can all support. The county already recycles cans, bottles and newspapers, but to get the 50 percent, the county has to expand the program to cover "mixed paper" as well. And the mixed paper program must be financially viable and sustainable.

Last year, Mr. Duncan brought to the council a contract that had been negotiated for almost two years with Office Paper Systems (OPS). We looked at the contract and quickly saw it was a bad deal for county ratepayers.

The issues we were concerned about centered around cost. The contract has a "put or pay" provision — which means the county pays for a set amount of mixed paper — whether or not the county delivers that tonnage. Originally, the county executive said we could deliver 125,000 tons to OPS. We were skeptical. The county finalized on delivery of 115,000 tons — a number the executive assured us would be met by the third year of the 10-year contract.

The net cost, as approved by the council last August, was \$18 a ton. That's the amount it costs us to process the mixed paper, minus the money the county gets by selling the recycled product. The cost per household was going to be about \$7 a year.

Then, two weeks ago, reality hit when the county executive's staff came before the council to ask us to appropriate money for the first year of the contract. Suddenly, according to the executive's own figures, we were only going to be able to collect 89,000 tons — a 20 percent drop. And it was going to cost us nearly \$28 a ton for Fiscal Year 2000. The cost per household shot up nearly 60 percent.

Suddenly, the county was paying more for less — and paying for 26,000 tons that even the executive now admits the county will not be able to deliver.

When council members on the Transportation and Environment Committee balked at being sold this bill of goods, Mr. Duncan swung into action.

Within a week, he was assuring the council that the mixed paper would cost the county only \$6.53 a ton over the first full year and — worst-case scenario — no more than \$15 per ton in later years. The county would still fall short of the 115,000 tons by at least 16,000 to 26,000 tons, according to their figures. But OPS had suddenly — dare we say, miraculously — signed a contract that supposedly assured that the county would make more revenue off our recycled product.

Some council members, wary of being "blamed" — however unfairly — by the county executive for "sabotaging recycling" if the contract is voted down, are saying they'll vote for the contract this Monday and hold Mr. Duncan to that \$6.53 figure. They say this is yet another example of the council making this mixed paper contract "better."

We say "no." Even considering the changes in assumptions made by the executive, this is still a bad deal for the ratepayers.

To quote the Baltimore Sun, Doug Duncan "is betting \$2 million of taxpayer money" on a deal "with a private recycler (that) could take taxpayers for a multimillion-dollar ride over the 10-year life of the contract."

Here's why this is bad news:

• Mr. Duncan's own Solid Waste Advisory Committee, made up of experts in the industry, questions the assumptions of tonnage projected. "Meeting the projected yield and unit costs," they wrote, "will require Montgomery County exceed the highest residential mixed paper recovery rates achieved by any American community. We consider this to be a highly non-conservative basis for making program projections."

• The county executive's worst-case assumptions for tonnage — which have the county paying for 16,000 tons we don't deliver — aren't really the worst case. Municipalities in the county could opt out of the county program if they could get a better deal, potentially knocking the tonnage figure down by another 20-25 percent.

• Howard County, our neighbor to the north, is paying \$8.75 a ton in net costs and has its costs capped at a maximum of \$15 a ton. "We do a pretty good job of writing contracts," their recycling chief told The Sun. "This one is pretty tight." The cost per Howard County household is \$2.66 a year.

• We do not believe the \$6.53 per ton rate advanced by the county executive realistically accounts for the volatility of prices for recycled paper. Who should bear the risk — OPS or the ratepayer? At the council committee meeting discussing this issue, Councilman Blair Ewing challenged OPS to forget the minimum tonnage and accept a flat fee of \$15 a ton. After all, at \$15 a ton, OPS will make a heck of a lot more than at the \$6.53 that Mr. Duncan is guaranteeing. OPS did not answer Mr. Ewing's question. They know the financial risk that the \$6.53 figure entails.

• OPS makes much of its new contract with a supplier to buy county mixed paper at \$31.64 a ton, the figure that underlies Mr. Duncan's assumptions. What OPS doesn't say is that its contract with the buyer has no penalty for termination. The buyer could cancel at any time and OPS — or rather the county ratepayer — would be left to the not-so-tender mercies of the rollercoaster market.

For all these reasons, we favor rejection of the current mixed-paper contract. It does not serve the long-term viability of our recycling effort. It could have the county paying as much as \$400,000 a year for tonnage that the county doesn't even deliver. This contract actually undermines recycling by making the costs untenable in the long run.

Let's do it right the first time.

Let's pay per ton delivered, not guarantee minimum tonnage. Let's guarantee a fair price that minimizes the risk to the ratepayer. If we need to, let's divide the contract up into smaller pieces. If Howard County can get a good deal, why can't we do the same?

This County Council has done its job over the past two years to win a mixed paper recycling contract we can live with. We've made it somewhat better — let's not stop now.

Mrs. Dacek is a Republican council member representing Dist. 2. Mrs. Pralsner is a Democratic council member representing Dist. 4.

